



# Air Force Materiel

*War Winning Capabilities ... On Time, On Cost*

**Command**



## CONTRACT TYPES

**Module Lead:  
OO-ALC/PKCA  
August 2007**

*Integrity ~ Service ~  
Excellence*



# Course Overview

- **Length: 2 Hours**
- **Method of delivery: Slide Presentation**
- **Course contents:**
  - Selecting a contract type after analyzing many factors
    - The Requirement
    - Production Stages
    - Risk
    - Competitive or Non-Competitive
    - Industrial Base, Market Research, Technology
    - Type of funds
    - ETC
  - Handout of Contract Types



# Overview

- **Selecting Contract Types**
- **Contract Risk**
- **Factors in Selecting Contract Type**
- **Contract Type by FAR Part**
- **Fixed Price Contracts**
- **Cost Reimbursement Contracts**
- **Other Contract Vehicles and Agreements**



# Selecting Contract Types

- **Degree and Timing of Contractor Responsibility**
- **Amount & Nature of Profit Incentive Encouraging Contractor to Achieve Goal**



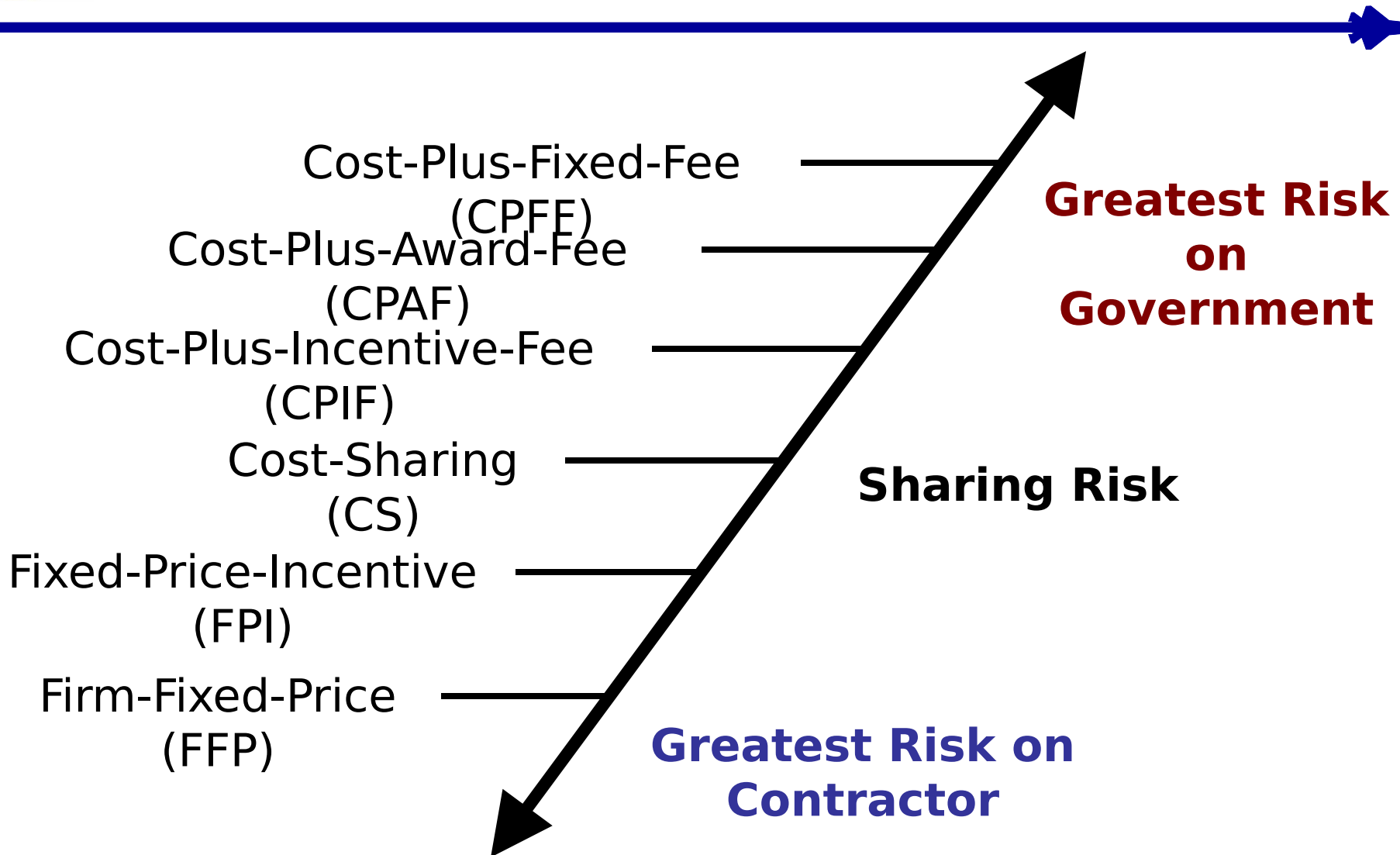
Risk



Reward



# Profile in Contract Risk





# Cost Risk & Contract Type

COST RISK AND CONTRACT TYPE						
Cost Risk	<b>High</b> _____ <b>Low</b>					
Requirement Definition	<b>Vague</b> _____ <b>Well-defined</b>					
Production Stages	Concept Studies & Basic Research	Exploratory Development	Test/Demonstration	Full-scale Development	Full Production	Follow-on Production
Contract Type	<b>Varied</b>	<b>CPFF</b>	<b>CPIF, FPIF</b>	<b>CPIF, FPIF, FFP</b>	<b>FFP, FPIF, FPEPA</b>	<b>FFP, FPIF, FPEPA</b>



# Factors in Selecting Contract Types

## Price Competition

- Normally, price competition results in realistic pricing

## Price Analysis

- With or without competition, may provide selection basis

## Cost Analysis

- In the absence of price competition or price analysis



# More Factors in Selecting Contract Types

## Type & Complexity of the Requirement

- **Complex contracts generally involves more Government risk**

## Urgency of the Requirement

- **Government may choose to take on more of the risk**

## Contractor's Technical Capability and Financial Responsibility

## Extent & Nature of Proposed Subcontracting

- **Contract should be selected accordingly**





# More Factors in Selecting Contract Types



## Adequacy of the Contractor's Accounting System

- Before agreeing on any contract type other than FFP, the CO should make sure the contractor can produce timely cost data in the form required by the contract.

## Concurrent Contracts

- Consider pricing arrangements of other operating contracts

## Acquisition History

- Contractor risk usually decreases with repetitive acquisition



# Contract Type by FAR Part

Contracts under FAR 13 would use FFP, if determined to be commercial items and any contract type if non-commercial

<b>FAR 12</b> <b>Commercial</b> <b>Items</b>	<b>FAR 14</b> <b>Sealed</b> <b>Bidding</b>	<b>FAR 15</b> <b>Contract By</b> <b>Negotiation</b>
<ul style="list-style-type: none"><li>•Firm Fixed Price</li><li>•Fixed Price w/EPA</li></ul>	<ul style="list-style-type: none"><li>•Firm Fixed Price</li><li>•Fixed Price w/ EPA</li></ul>	<ul style="list-style-type: none"><li>•Any contract type or combination of types</li></ul>



# Primary Contract Types

**“There are 2 Primary Contract Types”**

**Fixed  
Price  
Contracts**

**Cost  
Reimburseme  
nt  
Contracts**



# Fixed Price Contracts

**FAR  
16.2**



# Fixed Price Contracts

<b>Firm Fixed Price</b>	<b>Fixed Price w/Award Fee</b>
<b>Fixed Price w/Economic Price Adjustment</b>	<b>Fixed Price w/Price Re-determination</b>
<b>Fixed Price Incentive</b>	<b>Fixed Price Level of Effort</b>



# Firm Fixed Price

## Description

- **Price not subject to adjustment**
- **Contractor at maximum risk and full responsibility**
  - For profit
  - For loss
- **Minimum administrative burden on parties**
- **Contracts from sealed bidding can be only FFP, FP w/EPA**

## Application

**“A firm-fixed-price contract is suitable for acquiring commercial items or ...other supplies or services on the basis of reasonably definite functional or detailed specifications when the contracting officer can establish fair and reasonable prices at the outset...”**

**FAR 16.202**



# Fixed Price Example

A requirement exists for 35 portable toilets to be placed at ball field visitor gates, and other locations on base. An additional 100 are needed on a one time basis for the Armed Forces Day Open House.



# Fixed Price w/Economic Price Adjustment (EPA)

## Description

- **Fixed price contract with upward or downward revisions**
  - Based on specified contingencies (not duplicated in base price)
- **Three general types of Economic Price Adjustments**
  - Established prices
  - Actual Costs of Labor or Materials
  - Cost indexes of Labor or Materials
- **Commercial Items must be procured using FFP or FP w/ EPA**

## Application

“A fixed-price with economic price adjustment may be used when (i) there is **serious doubt** concerning the **stability of market** or **labor conditions** that will exist during an extended period of contract performance, and (ii) **contingencies** that would otherwise be include in the contract price can be identified and **covered separately** in the contract.”

**FAR 16.203**





# Adjustments under Fixed Price with EPA

**1. Restricted to  
“Industry-Wide  
Contingencies”**

**2. Material & Labor  
contingencies  
should be beyond  
contractor's  
control**

**3. CO must determine  
its necessary to  
protect the  
contractor and  
government**

**4. Or, CO must provide  
for price adjustment  
in case of changes  
in contractor's  
established prices**



# Fixed Price w/EPA Example

A requirement for a follow-on production aircraft component contains **nickel** as one of the key materials in the manufacture of the items. Contract performance is expected to be for a period of 5 years.



# Incentive Contracts

## Description

- **When Firm Fixed Price is not appropriate**
- **Supplies and services can be acquired at lower costs by relating profit to performance**
- **Delivery and Technical performance can be acquired at lower costs by relating profit to performance**

## Incentives used:

- 1. Cost Incentives**
- 2. Performance Incentives**
- 3. Delivery Incentives**
- 4. Multiple Incentives**



# **Fixed Price Incentive** (Firm & Successive Target)

## • **Firm Target**

- Target Cost
- Target Profit
- Price Ceiling
- Profit Adjustment Formula

**Upon completion & final cost, final price is determined by formula**

**If final price exceeds Price Ceiling, the contractor suffers**

## • **Successive Target**

- Initial Target Cost
- Initial Target Profit
- Profit Adjustment Formula (floor/ceiling)
- Production Point
- Price Ceiling

**At Production Point, negotiate “firm target”**

- Firm Target cost
- Firm Target profit
- May use FFIF or FFP



# Fixed Price Incentive Firm (FPIF)

## Description

- **The contractor has an opportunity to make a higher profit by completing the work below the ceiling price and/or meeting OBJECTIVE performance targets**
- **Once price exceeds Fixed Price ceiling, the contractor is responsible for all allowable costs over price ceiling**



# Fixed Price Incentive Firm (FPIF)

## ELEMENTS

**Target Cost = Projected cost**

**Target Profit = Estimated profit for Target Cost**

**Price Ceiling = Not-to-Exceed (NTE) Price**

**Profit Adjustment Formula = Share Ratio**

**Or, how the contractor shares in Cost overruns & underruns**



# FPIF Formulas

**REFER TO  
HANDOUT**



# Fixed Price Incentive Firm (FPIF)

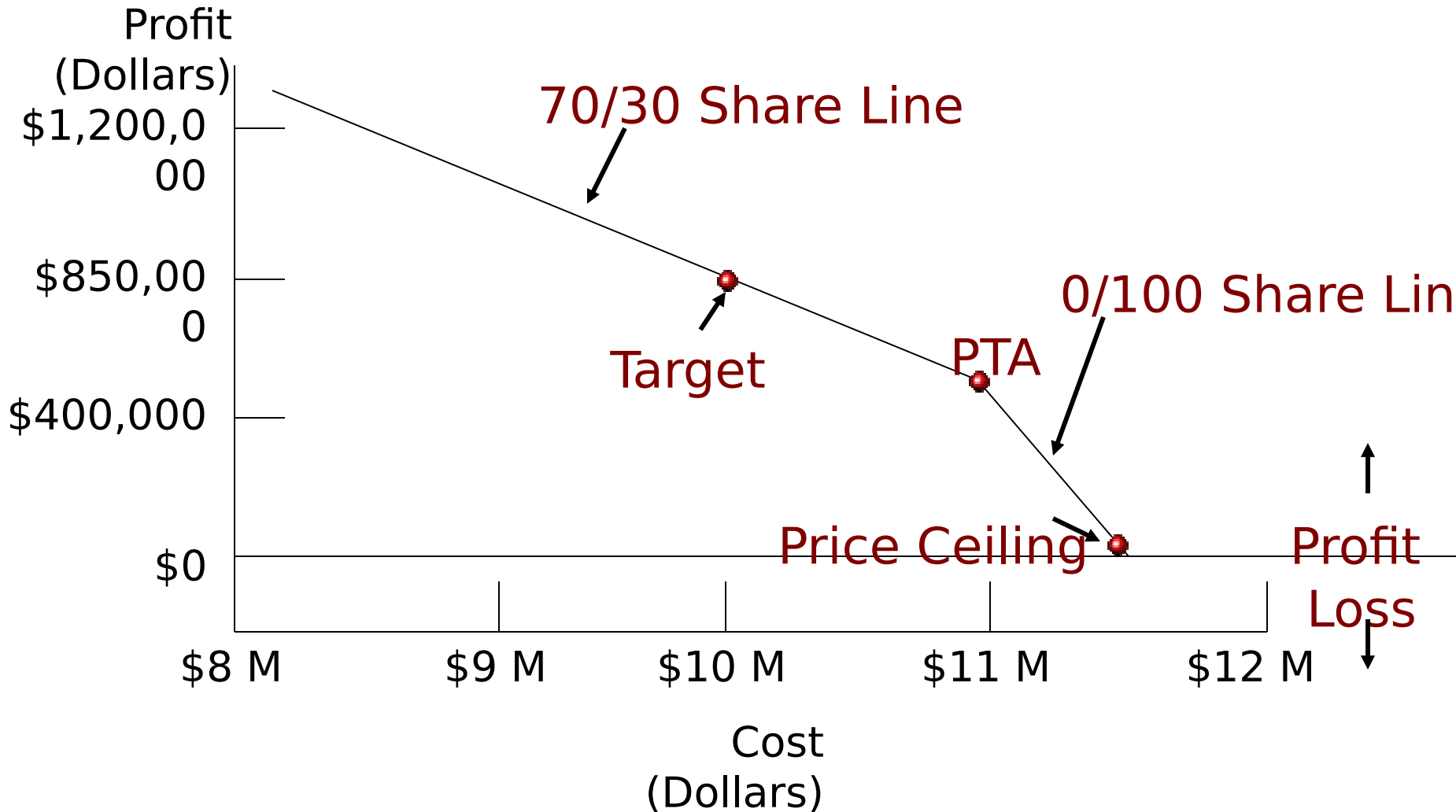
## Example

<b>Target Cost</b>	<b>\$10,000,000</b>
<b>Target Profit</b>	<b>\$850,000</b>
<b>Target Price</b>	<b>\$10,850,000</b>
<b>Price Ceiling</b>	<b>\$11,500,000</b>
<b>Share Ratio</b>	<b>70/30</b>





# Fixed Price Incentive Firm (FPIF)





# Fixed Price Incentive Firm Example

A requirement exists for a new grounds maintenance contract. Two of the items included in the requirement are snow removal during the winter months and debris collection in the summer months when the area is subject to a lot of high wind storms. You want to include a pricing arrangement that will motivate the contractor to respond quickly to clear snowdrifts and remove limbs in the street.



# Fixed Price w/Award Fees (FPAF)

## Description

- **Establish a fixed price (including normal profit)**
- **Provide periodic evaluation of contractor performance against award fee plan**
- **Issue solicitation only when**
  - Expected benefits exceed administrative costs
  - Established award-fee evaluation procedures/board
  - D&F approved at the appropriate level is required

## Application

**“Award-fee provisions may be used in fixed-price contracts when the Government **wishes** to motivate a contractor and **other incentives cannot be used** because contractor performance **cannot be measured objectively.**”**



# Fixed Price Award Fee (FPAF)

## ELEMENTS

**Base Fee = not allowed in FPAF**

**Award Fee = Extra earned for  
performance of evaluation  
factors**

**Award Fee Plan = “Living Document”**

**Award Fee Board = Management team  
which evaluates factors, prepares  
report**

**Fee Determining Official = Final Decision**



# Fixed Price w/Award Fee Example

A requirement is being worked for a copier maintenance contract. The requirements are pretty cut and dry but in the past end users have not been particularly happy with the service they've received. The contractor always leaves a mess when they are finished and seem to show up to perform maintenance when demand for the copier is greatest, creating a backlog of copying. You think potential awardees would be more responsive to more money for better service.



**Contracting  
Version**

**\$10,000**

**True or  
False?**



**Contracting  
Version**

**No incentive contract may be  
provided for other incentives  
without also providing a Cost  
incentive or constraint**



**Contracting  
Version**

# Answer



**Contracting  
Version**

# True!

**FAR 16.402-1**



**Contracting  
Version**

**\$10,000**

**True or  
False?**



**Contracting  
Version**

**RE: Firm Fixed Price w/ EPA  
The CO should ensure contingency  
allowances are included in the base  
price and in any adjustments  
requested by the contractor.**





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# Answer



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FALSE, Shouldn't duplicate contingencies!



**Contracting  
Version**

**\$25,000**

**Contracts  
resulting from  
sealed bidding  
can be only...**



**Contracti  
ng  
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- A. Firm-Fixed Price or Fixed Price w/ Award Fees**
- B. Firm-Fixed Price or Cost-Plus-Fixed Fee**
- C. Firm-Fixed Price or Fixed Price w/ Economic Price Adjustment**
- D. Firm-Fixed Price or Cost-Plus-Award Fee**

# Answer



**Contracting  
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C Firm Fixed Price & Fixed Price w/ EPA!



# Fixed Price w/

(Prospective/Retroactive)

Price Re-

determination

## • Prospective

1. FFP for initial delivery period can be established

2. Re-determine price at every 12 months (or more) during future performance

3. Price Ceiling may be established to allow contractor so share risk

## • Retroactive

(Past)  
2. Award after fair billable rate is negotiated

3. Price re-determined within ceiling after completion of contract

4. Useful for R&D >\$100K

5. Price Ceiling established to allow

contractor FAR 16.205 thru 206



# Firm Fixed Price, Level of Effort

## Description

- **Contractor provides a specified “level of effort”**
  - Over a stated period of time
  - Work required can only be stated in general terms
- **Contract amount less than \$100K (unless higher approved)**
- **Agreed that result cannot be achieved with less effort**
- **Level of Effort agreed upon in advance**

**Application**

“A firm-fixed price, level-of-effort term contract is suitable for **investigation** or **study** of a **specific research** and **development** area. The product of the contract is usually a **report** showing the results achieved through the application of the required level of effort. However, **payment is based on the effort** expended rather than on the results achieved.”

**FAR 16.207**



# Cost Reimbursement Contracts

**FAR 16.3**



# Cost Reimbursement Contracts



<b>Cost</b>	<b>Cost Plus Award Fee</b>
<b>Cost Sharing</b>	<b>Cost Plus Fixed Fee</b>
<b>Cost Plus Incentive Fee</b>	



# Cost Reimbursement Contracts

## Description

- **For reimbursement for Allowable Incurred Cost**
- **Cannot estimate accurately enough for FP contract**
- **Obligate funds and Establish a Ceiling**

## Application

**Use only if:**

- 1. Adequate contractor accounting system**
- 2. Appropriate Government Surveillance**
- 3. Statutory limit on the fee (FAR 15.404-4(c)(4))**
- 4. Acquisition of non-commercial items**

**FAR 16.302**





# Cost

## Description

- **A cost-reimbursement contract**
- **Contractor receives no fee**

## Application

**“A cost contract may be appropriate for **research** and **development** work, particularly with **nonprofit educational** institutions or other nonprofit organization, and for **facilities** contracts.”**

**FAR 16.302**



# Cost Example

There is a requirement for a study of earthquake fault lines in the eastern United States, for which universities and colleges with Geology Departments may be interested in performing. A cost contract with no fee would be appropriate in this instance since universities/colleges are not for profit organizations.



# Cost Sharing

## Description

- **Cost-reimbursement contract**
- **Contractor receives no fee**
- **Reimbursed only for agreed-upon portion of allowable costs**

## Application

**“A cost-sharing contract may be used when the contractor agrees to **absorb** a portion of the costs, in **expectation** of substantial **compensating benefits**.”**

**FAR 16.303**



# Cost Incentive Contracts

## Description

- When Firm Fixed Price is not appropriate
- Supplies and services can be acquired at lower costs by relating profit to performance
- Delivery and Technical performance can be acquired at lower costs by relating profit to performance
- **Prohibited: Cost-Plus-Percentage-of-Cost Incentives used:**

1. Cost Incentives
2. Performance Incentives
3. Delivery Incentives
4. Multiple Incentives

**FAR 16.302**



# Cost-Plus-Incentive Fee

## Description

- **Initially negotiated fee adjusted later by formula**
- **Fee Adjustment Formula based on**  
Total allowable costs vs. Total target costs
- **Specifies target cost, target fee and min & max fees**
- **If Total allowable < Total target, then Fee Increases**
- **If Total Allowable > Total target, then Fee**

## Application

**“Appropriate for services or development and test programs when...cost reimbursement contract is necessary; and a target cost and a fee adjustment formula can be negotiated that are likely to motivate the contractor to manage effectively.”**

**FAR 16.405-1**



# **Cost Plus Incentive Fee (CPIF)**

## **ELEMENTS**

**Target Cost = Projected cost**

**Target Profit = Estimated profit for Target Cost**

**Price Ceiling = NTE Price**

**Profit Adjustment Formula = Share Line**

**OR, how the contractor shares in Cost overruns & underruns**



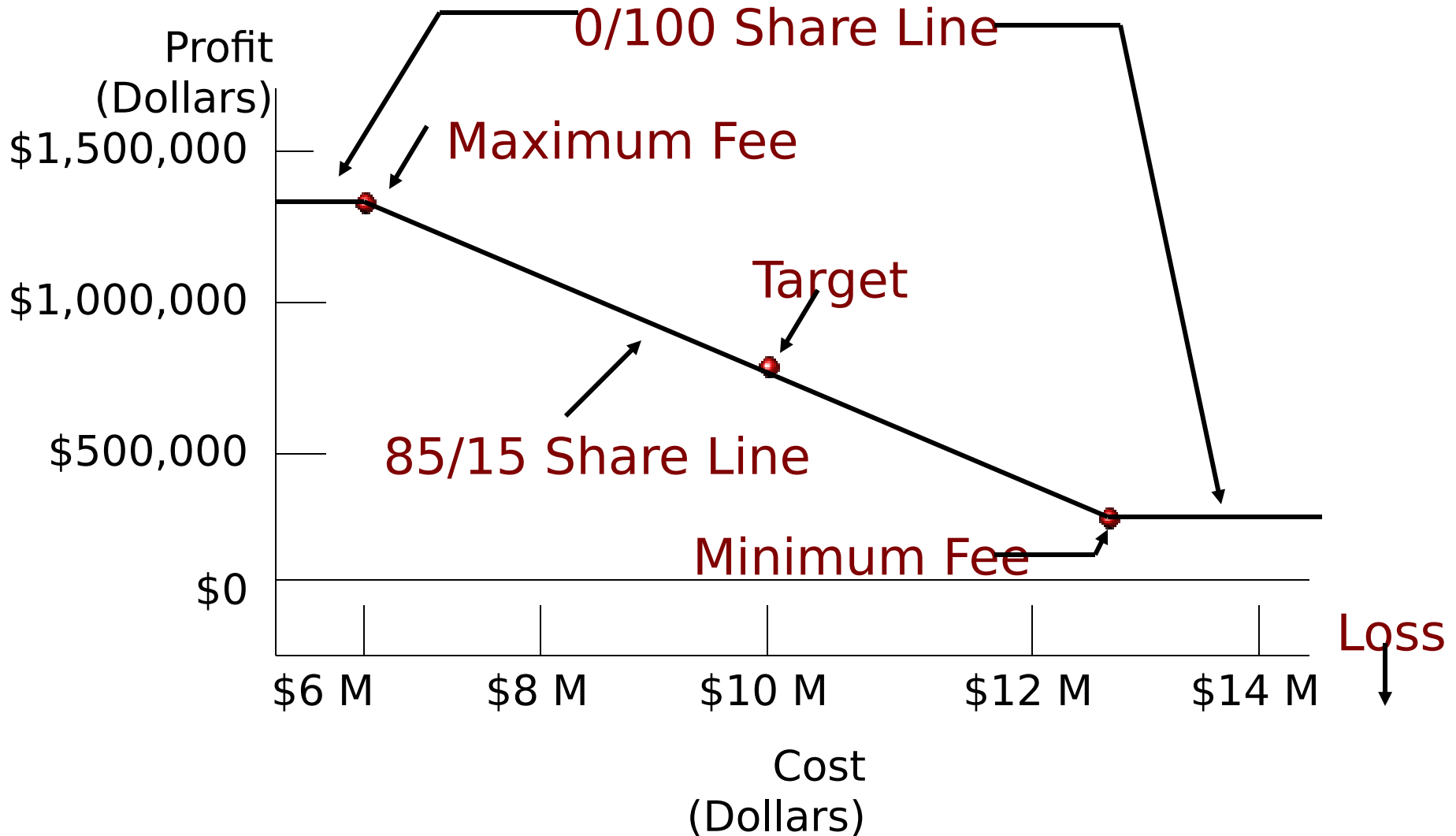
# Cost Plus Incentive Fee (CPIF)

## Example

<b>Target Cost</b>	<b>\$10,000,000</b>
<b>Target Profit</b>	<b>\$750,000</b>
<b>Maximum Fee</b>	<b>\$1,350,000</b>
<b>Minimum Fee</b>	<b>\$300,000</b>
<b>Share Ratio</b>	<b>85/15</b>



# Cost Plus Incentive Fee (CPIF)







# Cost Plus Incentive Fee Example

A requirement is being worked for a new military cargo plane. The customer wants to improve the speed and payload capacity of the aircraft, but also wants a better price. A CPIF contract would motivate the contractor to make these improvements while holding the price down.



# Cost-Plus-Award Fee (CPAF)

## Description

- **Cost reimbursement with base reimbursement**
- **Award fee earned in whole or part by performance**
  - Gov't unilaterally determines criteria for award fee
  - Fee paid by Gov't judgment based on contract criteria
- **Fee should be sufficient to motivate excellence**
  - Quality, Timeliness, Technical Ingenuity
  - Cost-Effective Management

## Application

“The cost-plus-award-fee is suitable for use when...the likelihood of **meeting acquisition objectives** will be enhanced by using a contract that effectively **motivated** the contractor toward **exceptional** performance and provides the Government with the flexibility to **evaluate** both actual performance and the conditions under which it was achieved.



# Cost Plus Award Fee

## ELEMENTS

**Base Fee = What the contractor receives  
even at \$0 award fee**

**Award Fee = Extra earned for  
performance of evaluation  
factors**

**Award Fee Plan = “Living Document”**

**Award Fee Board = Management team  
which evaluates factors**

**Fee Determining Official = Final Decision**



# Cost Plus Award Fee

**Motivate and reward a contractor for -**  
**Purchase of capital assets (including machine tools) manufactured in the US, on major defense acquisitions programs; or**

**Management performance areas which cannot be measured objectively and where normal incentive provisions cannot be used**

**Logistics support**

**Quality**

**Timeliness**

**Ingenuity**

**Cost effectiveness**

***These are areas under the control of management which may be susceptible only to subjective measurement and evaluation.***



# Cost Plus Award Fee

## **Positives**

**Tailor incentives to desired performance objectives**

**Focus on key risk items**

**Stabilize long term relations**

## **Negatives**

**Cumbersome and bureaucratic**

**Key players change - may affect continuity**

**Evaluations can at times appear “punitive”**



# Cost-Plus-Fixed Fee

## Description

- Payment of negotiated fee fixed
  - **Statutory fee limitations apply (FAR 15.404-4(c)(4))**
- Fee may be adjusted as a result of contract changes
- Permits contracting efforts where contractors may otherwise be at too great a risk
- Contractor has minimal incentive to control costs
- Not used once preliminary studies indicate achievable results

## Application

“The contract is for the performance of **research** or preliminary **exploration or study**, and the level of effort required is unknown; or the contract is for **development** and **test**, and using a cost-plus-incentive-fee is not practical... normally should **not be used** in development of major systems.”

**FAR 16.306**



# Cost Plus Fixed Fee (CPFF)

## ELEMENTS

- **ESTIMATED COST**
- **FIXED FEE**

**Contractor is entitled the Fixed Fee...regardless of the actual cost**



# Cost-Plus-Fixed Fee

## • “Completion” Form

### 1. Describes scope of

- Stating a **definite** goal or target
- Specifying an **end product**

2. Contractor required to deliver the specified end product within estimated cost as condition of payment

## • “Term”

### 1. Describes scope

- In **general** terms
- Obligates contractor to a **level-of-effort** for a specified time

2. If the Gov’t considers performance satisfactory contractor is paid fixed fee at the end of the specified time





# Cost Plus Fixed Fee Example

The Navy is attempting to develop a process which, when applied to the hulls of ships will render them non-magnetic. They want to replace the older wooden-hulled mine sweeps. Market research indicates nothing of that nature is being produced. As a result, an exploratory development contract is needed.



# **Cost Reimbursement - Contract Clauses**

## **Cost-type Contracts**

- 52.216-7 Allowable Cost and Payment**
- 52.216-8 Fixed Fee**
- 52.216-9 Fixed Fee - Construction**
- 52.216-10 Incentive Fee**
- 52.216-11 Cost Contract - No Fee**
- 52.216-12 Cost Sharing Contract - No Fee**
- 52.216-15 Predetermined Indirect Cost Rates**
- 52.232-27 Prompt Payment for Construction Contracts**

## **Incentive-type Contracts**

- 52.216-7 Allowable Cost and Payment**
- 52.216-10 Incentive Fee**
- 52.216-16 Incentive Price Revision - Firm Target**
- 52.216-17 Incentive Price Revision - Successive Targets**

**\$50,000**



**Contracting  
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# **Cost Reimbursement Contracts allow for payment of...**



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- A. Allowable Retroactive Costs**
- B. Allowable Projected Costs**
- C. Allowable Incurred Costs**
- D. Allowable Advanced Costs**

# Answer



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## C. Allowable Incurred Costs!



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**\$50,000**

**Cost Reimbursement  
Contracts should be  
used only when  
uncertainties don't  
permit costs to be...**

- A. Projected in the government estimate**
- B. Estimated accurately enough for FP contract**
- C. Projected past 1 year**
- D. Quantified for minor parts of the scope**



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# Answer



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B. Estimated Accurately enough for FP!



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**\$100,000**

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**0**



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## **Cost Reimbursement Contracts can be used only with...**

- A. Adequate contractor accounting system**
- B. Appropriate Government Surveillance**
- C. Acquisition of non-commercial items**
- D. All of the above**

# Answer



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**D. All of the above!**





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**Cost \$100,000  
Reimbursement  
Contracts  
establish an  
estimated total  
cost in order to...**

- A. Obligate funds and Establish a Floor**
- B. Obligate funds and Establish a Ceiling**
- C. Deobligate funds and Establish a Wall**
- D. Deobligate funds and Establish a Skylight**



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# Answer



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5. Obligate Funds and Establish a Ceiling!

**\$250,000**



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## **Cost & Fixed Incentive Contracts should be used when...**



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- A. Firm Fixed Price is not appropriate**
- B. Supplies and services can be acquired at lower costs by relating profit to performance**
- C. Delivery and Technical performance can be acquired at lower costs by relating profit to performance**
- D. All of the above**

**FAR 16.401**

# Answer



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*D. All of the above!*



**Contracting  
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**\$250,000**

**Cost & Fixed  
Incentive**

**Contracts can use  
which of the  
following...**

- A. Cost Incentives**
- B. Performance Incentives**
- C. Delivery Incentives**
- D. All of the above**



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**Contracting  
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# Answer



**Contracti  
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*D. All of the above!*



**Contracting  
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**\$500,000**

**Which contract type  
is prohibited?**



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- A. Cost-Sharing**
- B. Cost-Plus-Award-Fee**
- C. Cost-Plus-Percentage-of-Cost**
- D. None of the Types Above**

# Answer



Contracting  
Version



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C. Cost-plus-percentage-of-cost!





**Contracting  
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# **\$500,000 Contracts under FAR 15 (Contract By Negotiation) can be...**



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- A. Firm-Fixed Price, Fixed Price w/ EPA only**
- B. Firm-Fixed Price, Cost-Plus-Award-Fee, Cost-Plus-Fixed Fee only**
- C. All types except Time & Materials / Labor-Hour**
- D. Any type or combination of types**



**Contracting  
Version**

# Answer



**Contracti  
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Version**

**D. Any type or combination of types!**



# Other Contract Vehicles...

**Indefinite  
Delivery  
Time &  
Materials  
Labor-Hour**

**Letter  
Contracts  
Basic Agreements  
  
Basic Ordering  
Agreements  
(BOAs)**



# Indefinite Delivery - Three Types

- **Definite Quantity Contracts**
  - » Definite Quantity of supplies or services during a fixed period
- **Indefinite Quantity Indefinite Delivery (IDIQ) Contracts**
  - » Minimum & Maximum
  - » Indefinite Quantity of supplies or services during a fixed period
- **Requirements Contract**
  - » Best Estimated Quantity (BEQ)
  - » Provides for filling actual requirements by placing order during a fixed period
  - » All known government requirements (of that sort) will be placed with that contractor



# Indefinite Delivery - Contract Clauses

## Definite-Quantity

- 52.216-18 Ordering**
- 52.216-19 Order Limitations**
- 52.216-20 Definite Quantity**

## Indefinite-Quantity

- 52.216-18 Ordering**
- 52.216-19 Order Limitations**
- 52.216-22 Indefinite Quantity**
- 52.216-27 Single or Multiple Awards (if multiple award)**
- 52.216-28 Multiple Awards for A&AS (if A&AS multiple award over 3 years and \$10)**
- 5353.216-9000 Awarding Orders Under Multiple Award Contracts (if multiple award)**

## Requirements

- 52.216-18 Ordering**
- 52.216-19 Order Limitations**
- 52.216-21 Requirements**



# Requirements Example

A contract is needed for maintenance and repair of hand held portable radios over the next five years. Historical data indicates between 15-20% of the radios will require some type of repair during any given year.



# Time & Materials (T&M), Labor Hours

## Description

- Payment for direct labor hours at a fixed hourly rate (including overhead, G&A and profit)
- Payment for materials at cost (including handling costs)
- No positive profit incentive for cost control or labor efficiency

## Application

“May be used **only** when it is not possible at the time of placing the contract to estimate accurately the extent or duration of the work or to anticipate costs with any reasonable degree of confidence...may be used **(1)** only after the contracting officer executes a **determination and findings** that no other contract is suitable; and **(2)** only if the contract includes a **ceiling price** that the contractor exceeds at its own risk.

**FAR 16.601**



# Letter Contracts

## Description

- **Preliminary contract that authorizes contractor to begin work immediately**
- **Includes (not-to-exceed) price ceiling**

## Application

**A letter contract may be used when (1) the Government's interests demand that the contractor be given a binding commitment so that work can start immediately and (2) negotiating a definitive contract is not possible in sufficient time to meet the requirement.**





# Letter Contract Example

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The roof has blown off the commissary warehouse and \$3,000,000 in merchandise could be at risk.



# Basic Agreement & Basic Ordering Agreement

## Description

- Use when multiple awards anticipated w/contractor
- Written statement of understanding containing clauses
- BOAs: Possible description of supplies and services
- Neither are contracts

## Application

**When a substantial number of separate contracts may be awarded to a contractor during a particular period and significant recurring negotiating problems have been experienced with the contractor.**



**Contracting  
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**\$1,000,000**

**True or  
False?**



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**A Time & Material contract  
provides no positive profit  
incentive for cost control  
or labor efficiency.**

# Answer

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**Contracting  
Version**



**Contracti  
ng  
Version**

**True!**

**FAR 16.601**

**\$1,000,00**

**A T&M contract may  
not be awarded  
before execution of  
which?**

- A. Any required Determination & Findings**
- B. Any required Funding Documents**
- C. Any required Definitized Cost or Pricing Data**
- D. Any required New SPS versions**



**Contracting  
Version**



**Contracti  
ng  
Version**

# Answer



**Contracting  
Version**



**Contracti  
ng  
Version**

**Any Required Determination & Findings!**

**FAR 16.601**

Three overlapping ovals are positioned in the center of the slide. The top oval is yellow, the bottom-left oval is dark red, and the bottom-right oval is blue. They overlap in a way that creates a central area where all three colors meet.

# Questions?

